

Bandarawela Municipal Council

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Badulla District  
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1. Financial Statements

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1.1 Presentation of Financial Statements  
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Financial Statements for the year under review had been submitted to Audit on 30 March 2016 while Financial Statements relating to the preceding year had been submitted on 05 May 2015. The Auditor General's Report relating to the year under review was sent to the Municipal Commissioner of the Municipal Council on 06 September 2016.

1.2 Opinion

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In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Bandarawela Municipal Council as at 31 December 2015, its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

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1.3.2 Accounting Deficiencies  
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Following deficiencies are observed.

- (a) The balance of the Accumulated Fund Account of the year under review had been understated in a sum of Rs. 10,454,085 in the financial statements.
- (b) The balance of the Pre-payments Account of the year under review had been understated in a sum of Rs. 833,778 in the financial statements.
- (c) The balance of the Advance Account of the year under review had been understated in a sum of Rs. 911,912 in the financial statements.
- (d) The opening balance relevant to Deposits Accounts of the year under review had been understated in a sum of Rs. 3,393,738 in the financial statements.
- (e) The opening balance of Sundry Deposits Ledger Account had been copied in a higher amount of Rs.236,040.

- (f) The opening balance of Other Revenue in arrears brought forward from the preceding year had been copied in a lesser amount of Rs. 4,902,264 to the revenue accounts in the ledger.
- (g) A sum of Rs. 87,830 had been overstated as purchase of library books in the statement of financial position of the year under review.
- (h) A sum of Rs. 82,878 had been understated as pre-payments in the statement of financial position of the year under review.
- (i) A sum of Rs. 41,817,475 had been understated as balance of Sundry Deposits in the statement of financial position of the year under review.
- (j) Fixed Deposit of Rs. 5,367,241 as at 31 December of the year under review had been omitted in the financial statements.
- (k) Interest Revenue amounting to Rs. 102,918 relevant to 03 savings accounts had been understated in the accounts.
- (l) Value of Security Deposits amounting to Rs. 502,272 placed on behalf of 38 employees in service of the Council during the year under review had not been accounted in the financial statements.
- (m) Loan Interest amounting to Rs. 216,904 for the current year had not been identified and accounted as interest expenses.
- (n) Provision had not been made for total interest amounting to Rs. 3,435,097 payable to the Local Loans and Development Fund.
- (o) A sum of Rs. 705,243 had been understated as Work Creditors of the year under review.
- (p) Revenue earned on issue of street line certificates by the Council had not been accounted causing understatement of surplus for the year under review to that extent.
- (q) Capital Revenue amounting to Rs. 93,000 under General Utility Services Program had been copied in a lesser sum of Rs. 93,000 to the statement of financial operations.
- (r) A sum of Rs. 900,000 as Transport, Communication and Utility Services Expenditure under Welfare and Common Amenities had been copied in a higher amount to the statement of financial operations.
- (s) Supplies and Equipment Expenditure amounting to Rs. 648,750 under General Utilities Services had been omitted in the total operational expenditure.

- (t) Pensions, Pension Benefits and Gratuity Expenditure amounting to Rs. 699,036 had been understated in the total operational expenditure.
- (u) Rates in Arrears Revenue had been overstated in a sum of Rs. 300,000 in the financial statements.
- (v) Un-identified Account balance of Rs. 3,479,655 during the year under review had been adjusted to Accumulated Fund causing overstatement of value to that extent.

#### 1.3.2 Non-reconciled Control Accounts

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A difference in a sum of Rs. 3,683,649 was observed between the balances amounting to Rs. 84,715,760 relevant to 06 items of accounts shown in the financial statements and the balances shown in relevant subsidiary registers and records.

#### 1.3.3 Accounts Receivable and Payable

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According to the financial statements presented, the value of Accounts Receivable as at 31 December of the year under review had been Rs. 90,768,360 while the value of Accounts Payable as at that date amounted to Rs. 75,689,780.

#### 1.3.4 Lack of Evidence for Audit

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Seven items of accounts valued at Rs. 328,694,574 could not be satisfactorily vouched in audit due to non-submission of required information to Audit.

### 2.1 Financial Results

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According to the Financial Statements presented, excess of revenue over recurrent expenditure for the year ended 31 December 2015 amounted to Rs. 43,001,739 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 35,355,602.

### 2.2 Revenue Administration

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#### 2.2.1 Performance in Revenue Collection

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Following matters are observed.

- (a) While Revenue in Arrears receivable to the Municipal Council Fund relevant to past years as at 31 December 2015 amounted to Rs. 55,747,980, out of revenue estimated for the year under review 67% (Rs. 44,08,716) had been in arrears.

- (b) Action had not been taken in terms of provisions in Section 254(7) Part XII of the Municipal Councils Ordinance to recover Revenue in Arrears totaling Rs. 77,425,832 as at the end of the year under review.
- (c) Although the properties should be assessed once in 05 years in terms of provisions in Section 230 Part XII of the Municipal Councils Ordinance with regard to properties belong to the Council, such action had not been taken.
- (d) Rates had been recovered on the basis of the assessment value made during the year 2007 without carrying out a new assessment in terms of provisions in Section 237 of the Municipal Councils Ordinance with regard to 34 properties of which physical alterations were made affecting the annual value during the year 2014.

#### 2.2.2 Lease Rent

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Tender Lease Rent amounting to Rs. 4,588,015 due to be recovered for the year 2015 had not been recovered.

#### 2.2.3 Courts Fines and Stamp Fees

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Courts Fines amounting to Rs. 297,717 and Stamp Fees amounting to Rs. 5,103,461 were due to recovered as at 31 December 2015 from the Chief Secretary to the Provincial Council and other authorities.

### 3. Operational Review

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#### 3.1 Management Inefficiencies

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While a physical inspection of vehicles and equipment was carried out on 27 January 2016, date of audit, information relevant to 17 categories of vehicles and equipment had not been recorded in the Inventory Register.

#### 3.2 Contracts Administration

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Sixteen Development Projects amounting to Rs. 7,982,439 for which agreements had been signed during the year 2015 had not been fulfilled.

### 4. Good Governance and Accountability

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#### 4.1 Budgetary Control

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The Budget had not been made use of as an effective tool of management for revenue and expenditure control during the year under review.

4.2 Annual Procurement Plan

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An Annual Procurement Plan had not been implemented during the current year.

4.3 Internal Audit

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An internal audit had not been carried out for the year 2015.

4.4 Audit and Management Committee

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Audit and Management Committees had not been implemented during the year under review.

4.5 Assets Management

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Idle and Under-utilized Assets

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Three vehicles belong to the Municipal council had been kept idle.

4.6. Audit queries not resolved and not replied

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Replies had not been received to an audit query relevant to the year under review.

5. Systems and Controls

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Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Contracts Control
- (d) Debtors and Creditors Control.